

RD AN No. 4113 (1901-A)
October 7, 2005

SUBJECT: Renewable Energy Systems and Energy Efficiency
Improvement Guaranteed and Direct Loan Programs
Loanmaking and Servicing Authorities

TO: State Directors, Rural Development

ATTN: Business Program Directors

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to provide Business Program Directors with information regarding the criteria that must be met to obtain loanmaking and servicing authority for the Renewable Energy Systems and Energy Efficiency Improvement Guaranteed Program (Section 9006).

COMPARISON WITH PREVIOUS AN:

There have been no other ANs issued regarding this subject.

IMPLEMENTATION RESPONSIBILITIES:

Exhibit A of RD Instruction 1901-A outlines criteria to be considered for granting Section 9006 guaranteed loanmaking and servicing approval authorities. This AN discusses the specific criteria to be considered when delegating all levels of authority.

For purposes of Section 9006 guaranteed loan program administration, all loanmaking and servicing authorities currently delegated under the Business and Industry (B&I) program apply. For States without delegated B&I Guaranteed Loan Program loanmaking and servicing authority or States wishing to be considered for additional delegated authority for Section 9006 above current B&I delegated authority may request such

EXPIRATION DATE:
July 31, 2006

FILING INSTRUCTIONS:
Preceding RD Instruction 1901-A

authority. The criteria being used to evaluate authority levels include Section 9006, B&I staff experience and training, State B&I guaranteed loan delinquency and loss rates, and the review of B&I loan processing and servicing actions and other oversight provided by the National Office, including Business Programs Assessment Reviews (BPAR).

The above criteria will be taken into consideration along with other documented circumstances when justifying the level of authority delegated. The Administrator may delegate authority when appropriate justification exists that mitigates concerns or criteria that have not been met. Performance must continue to meet the established criteria to retain the delegated level of authority and will be reviewed at least annually based on fiscal year end data.

For approval authority of \$7.5 million or less, the following minimum criteria must be met:

1. The incumbent Program Director must have been in the position for at least 3 years. Staff must be sufficiently trained. Training should include credit and financial analysis training as provided by organizations such as the American Bankers Association (ABA), Dun and Bradstreet (D&B), Risk Management Association (RMA), or any similar organizations whose training courses have been approved by the National Office.
2. Loan processing and servicing requests that have been submitted to the National Office must have been acted upon with no significant concerns for the last and current fiscal years. Post loan closing reviews for the last and current fiscal years were submitted in accordance with RD Instructions 4280-B, section 4280.143 and 4279-B, section 4279.173(e), with no significant concerns. “No significant concerns” means that materials submitted by the State Office were substantially consistent with regulations and issued administrative guidance, and that actions were concurred with by the National Office, if applicable.
3. The most recent BPAR or Farm Credit Administration (FCA) review and recent Office of Inspector General (OIG) reports, if any, found no significant concerns with administration of the Section 9006 and B&I programs within the State. If concerns were identified, subsequent post loan closing reviews or other submissions to the National Office document that corrective action has been taken to mitigate the concern.

4. For each of the last 3 fiscal years, the State borrower delinquency rate for the B&I program has been below the national average, and no loan closed within the last 3 fiscal years is currently delinquent. Any established Administrator delinquency goals are being met.
5. For each of the last 3 fiscal years, the State loss rate for the B&I program has not exceeded .25 percent (one quarter of 1 percent).

For approval authority of \$5 million or less, the following minimum criteria must be met:

1. The incumbent Program Director must have been in the position for at least 2 years or have extensive Section 9006 experience. Training should include credit and financial analysis training provided by organizations such as the ABA, D&B, RMA, or similar organizations as approved by the National Office.
2. Loan processing and servicing requests have been submitted to the National Office with no significant concerns for the last and current fiscal years. Post loan closing reviews for the last and current fiscal years were submitted in accordance with RD Instructions 4280-B, section 4280.143 and 4279-B, section 4279.173(e), with no significant concerns. “No significant concerns” means that materials submitted by the State Office were substantially consistent with regulations and issued administrative guidance, and that actions were concurred with by the National Office, if applicable.
3. The most recent BPAR or FCA review and recent OIG reports, if any, found no significant concerns with administration of the Section 9006 and B&I programs within the State. If concerns were identified, subsequent post loan closing reviews or other submissions to the National Office document that corrective action has been taken to mitigate the concern.
4. For each of the last 2 fiscal years, the State borrower delinquency rate for the B&I program has been no more than 7 percent above the national average, and no loan closed within the last 2 fiscal years is currently delinquent. In cases where one or two borrowers significantly affect the State delinquency rate due to the size of the portfolio, special consideration will be given when sufficient justification is submitted with the request.
5. For each of the last 2 fiscal years, the State loss rate for the B&I program has not exceeded .5 percent (one-half of 1 percent).

For approval authority of \$3 million or less, the following minimum criteria must be met:

1. The incumbent Program Director must have been in the position for at least 1 year or have significant Section 9006 and B&I program experience. Training should include credit and financial analysis training provided by organizations such as the ABA, D&B, RMA, or similar organizations.
2. Loan processing and servicing requests have been submitted to the National Office with no significant concerns for the last and current fiscal years. Post closing reviews for the last and current fiscal years must have been submitted in accordance with RD Instructions 4280-B, section 4280.143 and 4279-B, section 4279.173(e), with no significant concerns. “No significant concerns” means that materials submitted by the State Office were substantially consistent with regulations and administrative guidance issued, and that actions were concurred with by the National Office, if applicable.
3. The most recent BPAR or FCA review and recent OIG reports, if any, found no significant concerns with administration of the Section 9006 and B&I programs within the State. If concerns were identified, subsequent post loan closing reviews or other submissions to the National Office document that corrective action has been taken to mitigate the concern.
4. In the last fiscal year, the State borrower delinquency rate for the B&I program has been no more than 10 percent above the national average, and no loan closed in the last fiscal year is currently delinquent. In cases where one or two borrowers significantly affect the State delinquency rate due to the size of the portfolio, special consideration will be given when sufficient justification is submitted with the request.
5. In the last fiscal year, the State loss rate for the B&I program did not exceed .75 percent (three quarters of 1 percent).

National Office review of Section 9006 and B&I program loans.

1. For guaranteed loans that exceed the State’s delegation of authority, the State Office will be required to submit the complete application to the National Office for review and funding consideration.

2. Section 9006 closed, and obligated loans within the delegated authorities of the State will be randomly selected for review by the National Office. If selected for review, the State Office will provide the following information:
 - a. Copy of the Project Summary including supporting documentation, financial analysis software reports, and spreadsheets analyzed by the State Office.
 - b. Copy of form RD 4279-1 “Application for Loan Guarantee.”
 - c. For projects that exceed \$200,000 in total eligible project costs, a copy of the project specific Technical Report and National Renewable Energy Laboratory’s (NREL) merit determination document.
 - d. For projects that exceed \$200,000 in total eligible project costs, a copy of the project specific feasibility study.
 - e. Lender’s complete comprehensive written analysis as required by RD Instruction 4280-B, section 4280.139, including pro forma balance sheet projected for loan closing and spreadsheets of historic and projected financial statements.
 - f. Summary pages of the appraisal report(s), including the qualifications of the appraiser and a copy of the desk or technical review by the State Review Appraiser, if applicable.
 - g. Copy of State loan committee minutes.
 - h. Business Loan Agreement executed between the Lender and Borrower.
 - i. Copy of the executed Conditional Commitment.
 - j. Copy of the Lender’s Agreement.

If you have any questions, please contact Joseph Ben-Israel, Processing Branch Chief, Specialty Lenders Division (202) 720-1400.

(Signed by Peter J. Thomas)

PETER J. THOMAS
Administrator